



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
OFFICE OF THE STATE BUDGET
LANSING

MARY A. LANNOYE
DIRECTOR

January 10, 2005

The Honorable Shirley Johnson, Chair
Senate Appropriations Committee
Michigan State Senate
State Capitol
Lansing, Michigan 48901

The Honorable Marc Shulman, Chair
House Appropriations Committee
Michigan House of Representatives
State Capitol
Lansing, Michigan 48901

Dear Legislators:

Attached is the monthly financial report for the month ending November 30, 2004. This report is submitted pursuant to MCL 18.1386. The Administration will submit a proposal to the legislature to address the projected FY05 shortfall after the January revenue estimating conference. This report can also be found on the Internet at the following address:

www.michigan.gov/budget under AFinancial Reports.@

If you have questions concerning the information in this report, please contact this office.

Sincerely,

Mary A. Lannoye
State Budget Director

Attachment

cc: List attached

cc: Governor Jennifer Granholm
Ken Sikkema, Senate Majority Leader
Rick Johnson, Speaker of the House
Bob Emerson, Senate Minority Leader
Diane Byrum, House Minority Leader
Senate Appropriations Committee
House Appropriations Committee
Nancy Cassis, Chair, Senate
Finance Committee

Lorence Wenke, House Taxation Committee
Rick Wiener, Executive Office
Tim Hughes, Executive Office
Senate Fiscal Agency
House Fiscal Agency
Mike Moody, Financial Management
Nancy Duncan, Deputy Director
State Budget Office
Internal Office of the State Budget
Distribution

GENERAL FUND, GENERAL PURPOSE
Fiscal Year 2005
Projected Revenues and Expenditures
November 30, 2004
(\$ in millions)

	FISCAL 2005
Beginning Balance, October 1, 2004	\$ -
Revenues, Current Law:	
Current Year GF/GP Revenues, May 2004 Consensus Estimate	\$ 7,856.3
Adjustments to Consensus Baseline	\$ -
Adjusted Current Year GF/GP Revenue Baseline	\$ 7,856.3
Adjustments Not Included in Consensus Estimate:	
Driver License Fee Legislation (PA 152 of 2003)	\$ 25.0
Driver Responsibility Legislation - 5/13/04 estimate (PA 165 of 2003)	\$ 73.1
Revenue Sharing Freeze (May 2004 Consensus)	\$ 339.4
Increased Tax Audit	\$ 85.1
Escheats Law Changes (PA 77 and PA 385 of 2004)	\$ 25.0
Suspend County Revenue Sharing - May 2004 Consensus (PAs 356/357 of 2004)	\$ 182.3
Interfund Borrowing Rates	\$ 20.0
Sale of Northville (PA 6 of 2002)	\$ 52.0
Jobs Program (various legislation)	\$ (2.7)
Casino Tax increase (PA 306 of 2004)	\$ 42.9
Tobacco Tax increase distribution (PA 164 of 2004)	\$ (9.0)
General Tobacco Settlement transfer to General Fund (PA 360 of 2004)	\$ 7.0
Anticipated Adjustments	
Non-use of SBT Pharmaceutical Credit (SB 1392)	\$ 10.0
Judiciary Technology Improvement Fund (SB 1368)	\$ 1.5
Juror Compensation Fund Balance deposited to General Fund (SB 1369)	\$ 4.0
Small Business Credit/Professional Employer Organizations (HB 5323)	\$ 5.0
Comprehensive Transportation Fund - reduce and lapse to General Fund (SB 1103)	\$ 10.0
Proceeds from Land Sales	\$ 31.4
Total FY Resources Available For Expenditure GF/GP	8,758.3
Expenditures, Current Law:	
Enacted Post Vetoes	\$ 8,751.9
Anticipated Expenditure Adjustments:	
Lapse Building Occupancy Charges - DMB (PA 327 of 2004, sec. 720)	\$ (0.7)
Total Expenditures Projected	\$ 8,751.2
Projected Ending Balance, September 30, 2005	\$ 7.1 ¹

¹ Subsequent to the date of this report, a special revenue consensus estimating conference was held on December 3, 2004. Conference participants identified a revenue shortfall of \$370 million: \$256.8 million GF/GP; \$113.2 million School Aid Fund. In addition, Senate Bill 1193 - a general fund supplemental appropriation to the School Aid Fund of \$99.5 million - was enrolled for presentation to the Governor on December 9, 2004. Solutions to address the combined GF/GP and School Aid Fund revenue shortfall will be addressed by the Governor in early calendar year 2005.

OFFICIAL BALANCE SHEET

SCHOOL AID FUND Fiscal Year 2005 Projected Revenues and Expenditures November 30, 2004 (\$ in millions)

	FISCAL 2005
Beginning Balance, October 1, 2004	\$ -
Current Year School Aid Fund Revenues, May 2004 Consensus	\$ 10,960.4
Adjustments to Consensus Baseline	
Enhanced Tax Enforcement	\$ 35.5
Increased Tobacco Tax (PA 164 of 2004)	\$ 3.8
Increased Lottery Advertising	\$ 11.0
Payment in Lieu of Taxes Anticipated Adjustment	\$ (2.0)
Subtotal, School Aid Fund, Current Year Direct Resources	\$ 11,008.7
Appropriation from GF/GP	\$ 165.2
Federal Aid	\$ 1,353.6
Total Available SAF Resources	\$ 12,527.5
Expenditures	
Enacted Appropriations PA 351 of 2004	\$ 12,527.4
Adjusted Appropriations	\$ 12,527.4
Projected School Aid Fund Ending Balance September 30, 2005	\$ 0.1 ¹

¹ Subsequent to the date of this report, a special revenue consensus estimating conference was held on December 3, 2004. Conference participants identified a revenue shortfall of \$370 million: \$256.8 million GF/GP; \$113.2 million School Aid Fund. In addition, Senate Bill 1193 - a general fund supplemental appropriation to the School Aid Fund of \$99.5 million - was enrolled for presentation to the Governor on December 9, 2004. Solutions to address the combined GF/GP and School Aid Fund revenue shortfall will be addressed by the Governor in early calendar year 2005.

SUMMARY OF EXPENDITURES AND ENCUMBRANCES

GENERAL FUND GROSS

November 30, 2004

(\$ IN MILLIONS)

FISCAL YEAR 2003-04

FISCAL YEAR 2004-05

November 2003	Yr-to-date 2003-04	Fiscal Yr end SEP 30, 2004	DEPARTMENT	Initial Approp	Supplem. Approp.*	Exp & Enc November 2004	Exp & Enc Yr-to-date 2004-05
6.7	14.2	95.7	Agriculture	126.1	0.0	10.5	16.1
4.2	6.0	51.3	Attorney General	62.0	0.0	4.8	7.1
6.1	62.0	252.3	Capital Outlay	0.0	250.8	9.7	51.5
0.9	1.3	12.4	Civil Rights	12.7	0.0	1.0	1.4
1.5	2.6	20.3	Civil Service	35.1	0.0	2.5	3.6
168.3	376.5	1,826.0	Colleges & Universities	1,943.2	0.0	162.1	382.6
756.2	2,310.9	9,342.1	Community Health	9,996.4	0.0	757.3	2,021.0
118.5	223.6	1,593.5	Corrections	1,768.7	0.0	123.2	238.3
4.4	9.8	67.3	Education	99.9	0.0	16.3	25.4
18.6	30.4	164.9	Environmental Quality	296.0	0.0	12.0	16.9
0.5	0.7	4.8	Executive Office	5.2	0.0	0.4	0.7
263.4	553.4	3,716.2	Family Independence Agency	4,287.4	6.6	384.7	656.4
0.1	4.8	54.2	History, Arts & Library	57.1	0.0	4.5	6.1
0.0	0.0	0.0	Information Technology	0.0	0.0	0.0	0.0
7.4	12.4	208.4	Judiciary	253.2	0.0	10.0	14.8
47.1	76.2	639.7	Labor & Economic Growth	899.8	0.0	45.1	64.0
8.8	18.0	126.5	Legislature	126.7	0.0	9.7	17.8
21.6	34.0	145.8	Management & Budget	156.9	13.0	10.7	26.5
0.0	8.4	38.4	Michigan Strategic Fund	-64.0	0.0	0.0	8.0
8.1	17.2	97.5	Military Affairs	105.5	0.0	10.0	19.7
8.7	11.3	69.7	Natural Resources	95.0	0.0	3.5	5.0
0.0	0.0	0.0	School Aid	0.0	0.0	0.0	0.0
13.3	28.0	182.5	State	187.2	0.0	14.2	28.7
25.3	38.1	378.2	State Police	475.8	0.0	28.7	42.3
0.0	0.0	0.0	Transportation	0.0	0.0	0.0	0.0
20.8	314.8	1,675.9	Treasury	1,520.4	48.5	20.8	292.8
\$1,510.5	\$4,154.6	\$20,763.6		\$22,446.3	\$318.9	\$1,641.7	\$3,946.7

*Includes boilerplate appropriations.

ESTIMATED BALANCE OF STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT

Fiscal Year 2005
November, 2004
(\$ IN MILLIONS)

	INITIAL APPROPRIATIONS	EXEC. ORDER and SUPPLEMENTALS	TOTAL APPROPRIATIONS YEAR-TO-DATE
Payments to local units of government	15,456.7	0.0	15,456.7
Total state spending from state resources	25,905.1	252.6	26,157.7
Percentage of state spending from state resources paid to local units	59.67%		59.09%
Required payments to local units (48.97%)	12,685.7		12,809.4
Surplus/(deficit)	\$2,771.0		\$2,647.3

STATE OF MICHIGAN
YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES
COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND
 OCTOBER 1, 2004 THROUGH NOVEMBER 30, 2004
 (in thousands)

REVENUES

Taxes	\$ -
From federal agencies	-
Miscellaneous	-
	<hr/>
Total Revenues	-
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EXPENDITURES

Current:	
General government	-
Education	-
Family Independence services	-
Public safety and corrections	-
	<hr/>
Total Expenditures	-
	<hr/>
Excess of Revenues over (under)	
Expenditures	-
	<hr/>

OTHER FINANCING SOURCES (USES)

Proceeds from Bond Issues	-
Operating transfers from:	
State Lottery Fund	-
Other funds	-
	<hr/>
Total operating transfers from other funds	-
Operating transfers to other funds	-
	<hr/>
Total Other Financing Sources (Uses)	-
	<hr/>
Excess of Revenues and Other	
Sources over (under) Expenditures	
and Other Uses	\$ - ¹
	<hr/> <hr/>

¹ Balance does not reflect closing adjustments such as accounts receivable, accounts payable, etc.

NOTE: On December 12, 2004, as part of the normal FY2004 bookclosing process, a deposit of \$81.3 million was made to the Counter - Cyclical Budget and Economic Stabilization Fund.

STATE OF MICHIGAN
YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENSES
MICHIGAN STRATEGIC FUND
OCTOBER 1, 2004 THROUGH NOVEMBER 30, 2004

OPERATING REVENUES

Operating revenues	\$ -
Interest income	-
Investment revenue (net)	-
Miscellaneous:	
Federal revenues	-
Program fees	225
Other	<u>1</u>
Total miscellaneous	<u>225</u>
Total Operating Revenues	<u>225</u>

OPERATING EXPENSES

Salaries, wages, and other administrative	-
Interest expense	-
Depreciation	-
Purchases for resale	-
Other operating expenses:	
Loan loss expense	-
Tuition benefit expense	-
Amortization of deferred issue costs	-
Miscellaneous	<u>-</u>
Total other operating expenses	<u>-</u>
Total Operating Expenses	<u>-</u>
Operating Income (Loss)	<u>225</u>

NONOPERATING REVENUES (EXPENSES)

Federal grant revenue	<u>-</u>
Interest revenue	-
Other nonoperating revenues:	
Tribal gaming revenue	-
Other nonoperating revenue	<u>-</u>
Total other nonoperating revenues	<u>-</u>
Nonoperating grants	-
Interest expense	-
Other nonoperating expense	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>-</u>
Income (Loss) Before Operating Transfers	<u>225</u>

OPERATING TRANSFERS

Operating transfers from primary government	-
Operating transfers to primary government	<u>(137)</u>
Total Operating Transfers In (Out)	<u>(137)</u>
Net Income (Loss)	<u>\$ 88 ¹</u>

¹ Balance does not reflect closing adjustments such as accounts receivable, accounts payable, etc.

STATE OF MICHIGAN
YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES
MICHIGAN NATURAL RESOURCES TRUST FUND
OCTOBER 1, 2004 THROUGH NOVEMBER 30, 2004

REVENUES

Taxes	\$ -
From federal agencies	-
From licenses and permits	-
Miscellaneous	<u>9,874</u>
Total Revenues	<u>9,874</u>

EXPENDITURES

Current:	
General government	-
Conservation, environment, recreation, and agriculture	238
Capital outlay	<u>(426)</u>
Total Expenditures	<u>(188)</u>
Excess of Revenues over (under) Expenditures	<u>10,062</u>

OTHER FINANCING SOURCES (USES)

Proceeds from bond issues	-
Proceeds from sale of capital assets	84
Operating transfers from other funds	-
Operating transfers to other funds	<u>(2,462)</u>
Total Other Financing Sources (Uses)	<u>(2,378)</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>\$ 7,684</u> ¹

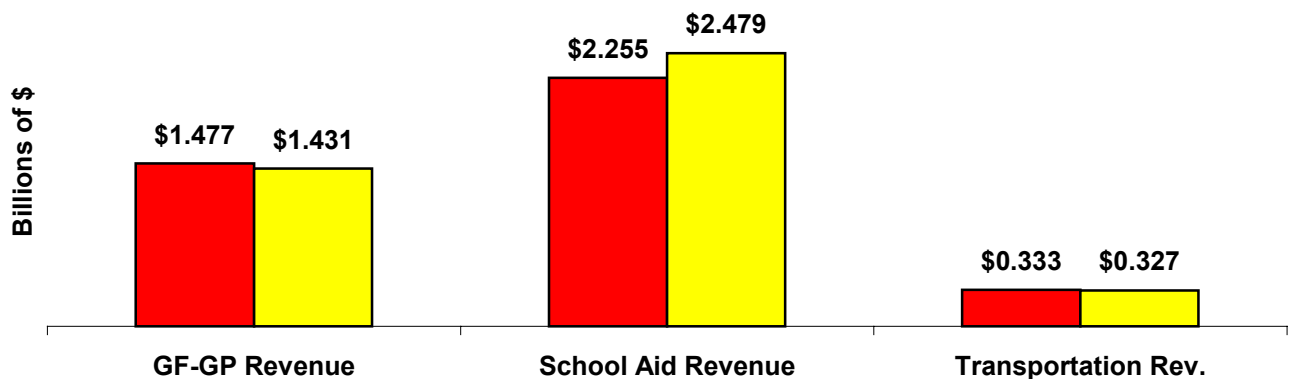
REVENUE OVERVIEW
Economic and Revenue Forecasting Division
Michigan Department of Treasury

This Monthly Financial Report to the Legislature presents the Michigan State government's economic situation and cash collections for November 2004, representing some October and some November economic activity in Michigan.

Total General Fund - General Purpose cash collections were \$23.4 million (3.4 percent) higher in November 2004 than in November 2003. November School Aid Fund cash collections were \$167.2 million (19.3 percent) higher than in November 2003. November transportation collections were \$3.2 million (2.0 percent) lower than in November 2003 (see revenue table). November is the second month of the state's fiscal year. Year-to-date collection totals generally provide a more accurate view of collections since they are less affected by the timing of payments. Year-to-date General Fund - General Purpose cash collections are down \$45.9 million (3.1 percent) from a year ago. School Aid Fund cash collections are up \$223.9 million (9.9 percent), and transportation collections are down \$6.3 million (1.9 percent). School Aid Fund collections have been affected by the change in the timing and tax rate of state education tax (SET) payments. Excluding SET payments, School Aid Fund collections are up 1.4 percent.

The FY 2003-2004 net revenue forecast presented in the revenue table on page 10 is from the Consensus Revenue Estimating Conference held on May 18, 2004. The Consensus estimate for net General Fund – General Purpose revenue for FY 2003-2004 is \$7,866.4 million and the net School Aid revenue forecast is \$10,535.2 million. The Transportation Funds revenue forecast is \$2,303.4 million. The revenue projections for each tax are shown after all tax adjustments. A special revenue estimating conference is scheduled for December 3, 2004.

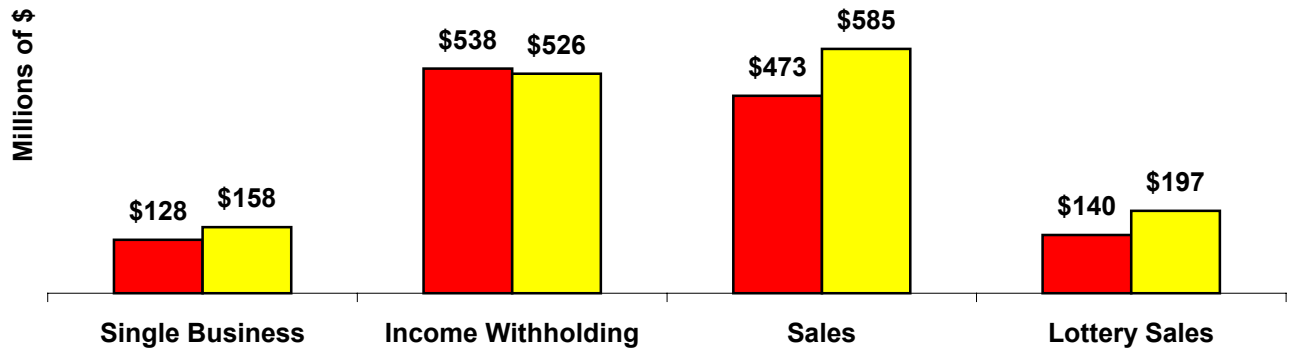
**October through November Collections
Fiscal Years 2003-04 and 2004-05**



Economic and Revenue Forecasting Division

■ FY 2003-04 ■ FY 2004-05

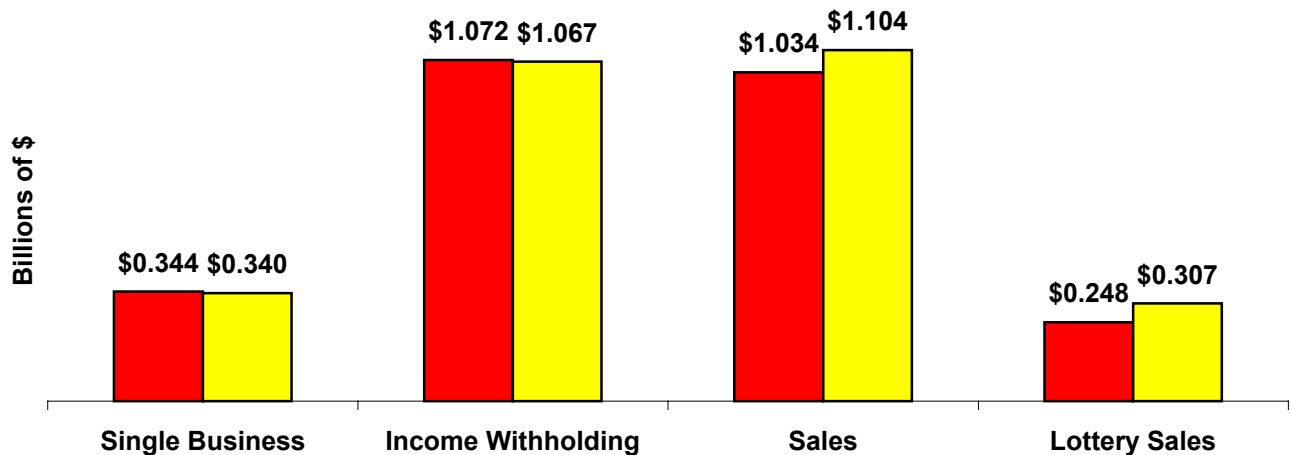
November Revenue Collections Fiscal Years 2003-04 and 2004-05



Economic and Revenue Forecasting Division

■ FY 2003-04 ■ FY 2004-05

October through November Collections Fiscal Years 2003-04 and 2004-05



Economic and Revenue Forecasting Division

■ FY 2003-04 ■ FY 2004-05

Revenue Summary 2004-05
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: November 30, 2004

-10-

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH NOVEMBER CASH COLLECTIONS DATA						REVENUE PROJECTIONS		
November		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		2003-2004	2004-2005	2004-2005	
2003	2004	Amount	Percent		2003-04	2004-05	Amount	Percent	May 2004	Statutory	May 2004	
									Consensus	Estimate (b)	Consensus (b)	
Income Taxes												
\$538,333	\$525,620	(\$12,713)	-2.4%	Withholding	\$1,071,576	\$1,066,822	(\$4,753)	-0.4%	\$6,419,200	\$6,568,700	\$6,568,700	
4,493	4,777	284	6.3%	Quarterlies	13,447	13,198	(250)	-1.9%	602,000	626,600	626,600	
6,462	7,542	1,080	16.7%	Annuals	27,414	26,017	(1,397)	-5.1%	481,400	501,800	501,800	
549,288	537,938	(11,350)	-2.1%	Gross Collections	1,112,436	1,106,037	(6,400)	-0.6%	\$7,502,600	\$7,697,100	\$7,697,100	
21,857	21,698	(159)	-0.7%	Less: Refunds	58,788	59,444	656	1.1%	1,640,900	1,674,800	1,674,800	
0	0	0	na	State Campaign Fund	0	0	0	na	1,500	1,500	1,500	
527,431	516,240	(11,191)	-2.1%	Net Personal Income	1,053,648	1,046,593	(7,056)	-0.7%	\$5,860,200	\$6,020,800	\$6,020,800	
137,322	134,485	(2,837)	-2.1%	Less: Disbursements to SAF	278,109	276,509	(1,600)	-0.6%	\$1,911,100	\$1,996,500	\$1,996,500	
\$390,109	\$381,755	(\$8,354)	-2.1%	NET PERSONAL INCOME TO GF-GP	\$775,539	\$770,084	(\$5,456)	-0.7%	\$3,949,100	\$4,024,300	\$4,024,300	
Consumption Taxes												
\$5,505	\$8,262	\$2,757	50.1%	Sales (a)	\$13,180	\$14,892	\$1,712	13.0%	\$103,200	\$119,800	\$119,800	
61,562	75,520	13,959	22.7%	Use	132,234	141,013	8,779	6.6%	855,100	885,800	885,800	
31,413	9,946	(21,467)	-68.3%	Cigarette	61,630	20,810	(40,820)	-66.2%	286,200	119,000	119,000	
4,389	4,111	(278)	-6.3%	Beer, Wine & Mixed Spirits	8,699	8,230	(469)	-5.4%	51,500	52,000	52,000	
2,931	2,714	(216)	-7.4%	Liquor Specific	3,008	2,760	(249)	-8.3%	31,300	31,600	31,600	
\$105,799	\$100,554	(\$5,245)	-5.0%	TOTAL CONSUMPTION TAXES	\$218,751	\$187,705	(\$31,047)	-14.2%	\$1,327,300	\$1,208,200	\$1,208,200	
Other Taxes												
\$128,149	\$157,796	\$29,647	23.1%	Single Business	\$344,203	\$340,029	(\$4,174)	-1.2%	\$1,823,700	\$1,917,500	\$1,917,500	
25,959	24,729	(1,230)	-4.7%	Insurance Premiums Taxes	55,068	50,967	(4,101)	-7.4%	247,000	261,000	261,000	
154,107	182,524	28,417	18.4%	Sub-total SBT & Insurance	399,271	390,996	(8,275)	-2.1%	2,070,700	2,178,500	2,178,500	
4,996	1,966	(3,031)	-60.7%	Inheritance / Estate	11,621	5,523	(6,098)	-52.5%	65,000	34,000	34,000	
12,953	12,082	(871)	-6.7%	Telephone & Telegraph	13,007	12,185	(823)	-6.3%	120,600	120,600	120,600	
(3,957)	3,460	7,417	na	Oil & Gas Severance	(463)	8,330	8,793	na	56,000	50,000	50,000	
0	3,500	3,500	na	Casino Wagering	0	3,710	3,710	#DIV/0!	na	42,900	42,900	
9,057	9,774	717	7.9%	Penalties & Interest	20,037	19,101	(936)	-4.7%	109,000	110,000	110,000	
106	135	29	27.3%	Miscellaneous Other/Railroad	159	149	(10)	-6.3%	3,000	3,000	3,000	
(7,083)	(6,667)	417	-5.9%	Treasury Enforcement Programs	(7,083)	(13,333)	(6,250)	88.2%	(80,000)	(80,000)	(80,000)	
\$170,180	\$206,775	\$36,595	21.5%	TOTAL OTHER TAXES	\$436,549	\$426,661	(\$9,889)	-2.3%	\$2,344,300	\$2,459,000	\$2,459,000	
\$666,088	\$689,084	\$22,996	3.5%	SUBTOTAL GF-GP TAXES	\$1,430,840	\$1,384,449	(\$46,391)	-3.2%	\$7,620,700	\$7,691,400	\$7,691,400	

continued

Revenue Summary 2004-05
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: November 30, 2004

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH NOVEMBER CASH COLLECTIONS DATA					REVENUE PROJECTIONS		
November		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		2003-2004	2004-2005	2004-2005
2003	2004	Amount	Percent		2003-04	2004-05	Amount	Percent	May 2004	Statutory	May 2004
									Consensus	Estimate (b)	Consensus (b)
Non-Tax Revenue(g)											
\$2,500	\$2,500	\$0	0.0%	Federal Aid	\$5,000	\$5,000	\$0	0.0%	\$30,000	\$30,000	\$30,000
83	83	0	0.0%	Local Agencies	167	167	0	0.0%	1,000	1,000	1,000
667	667	0	0.0%	Services	1,333	1,333	0	0.0%	8,000	8,000	8,000
1,500	1,500	0	0.0%	Licenses & Permits	3,000	3,000	0	0.0%	18,000	18,000	18,000
0	0	0	na	Investments/Interest Costs	0	0	0	na	(30,000)	(80,000)	(80,000)
5,000	5,167	167	3.3%	Misc. Non-tax Revenue	10,000	10,333	333	3.3%	60,000	62,000	62,000
10,000	10,083	83	0.8%	Liquor Purchase Revolving Fund	20,000	20,167	167	0.8%	120,000	121,000	121,000
3,233	3,233	0	0.0%	From Other Funds-Lottery & Escheats	6,467	6,467	0	0.0%	38,800	38,800	38,800
\$22,983	\$23,233	\$250	1.1%	TOTAL NON-TAX REVENUE	\$45,967	\$46,467	\$500	1.1%	\$245,800	\$198,800	\$198,800
\$689,071	\$712,317	\$23,246	3.4%	TOTAL GF-GP REVENUE	\$1,476,807	\$1,430,916	(\$45,891)	-3.1%	\$7,866,400	\$7,890,200	\$7,890,200
School Aid Fund											
\$193,032	\$238,166	\$45,134	23.4%	Sales Tax 4%	\$421,250	\$449,865	\$28,615	6.8%	2,646,000	2,767,300	2,767,300
151,315	187,935	36,620	24.2%	Sales Tax 2%	332,080	353,832	21,752	6.6%	2,090,700	2,188,600	2,188,600
30,781	37,760	6,979	22.7%	Use Tax 2%	66,117	70,507	4,390	6.6%	427,400	442,800	442,800
168,873	275,227	106,354	63.0%	State Education Property Tax	859,162	1,063,029	203,867	23.7%	1,745,200	1,859,700	1,859,700
36,181	31,967	(4,213)	-11.6%	Real Estate Transfer Tax	62,903	62,354	(549)	-0.9%	297,700	293,000	293,000
70,048	59,883	(10,165)	-14.5%	Lottery Transfer (c)	70,048	59,883	(10,165)	-14.5%	637,000	637,000	637,000
7,654	8,101	446	5.8%	Casino Wagering Tax	8,059	8,587	528	6.5%	98,500	99,300	99,300
2,903	2,681	(222)	-7.6%	Liquor Excise Tax	2,903	2,681	(222)	-7.6%	31,300	31,600	31,600
51,618	39,783	(11,834)	-22.9%	Cigarette/Tobacco Tax	101,271	83,241	(18,030)	-17.8%	479,700	476,300	476,300
16,060	16,840	780	4.9%	Indus. & Comm. Facilities Taxes	51,407	47,181	(4,225)	-8.2%	156,000	157,000	157,000
359	527	168	46.8%	Specific Other	1,888	1,390	(498)	-26.4%	14,800	14,800	14,800
137,322	134,485	(2,837)	-2.1%	Income Tax Earmarking	278,109	276,509	(1,600)	-0.6%	\$1,911,100	\$1,996,500	\$1,996,500
\$866,145	\$1,033,354	\$167,209	19.3%	TOTAL SCHOOL AID FUND	\$2,255,196	\$2,479,058	\$223,862	9.9%	\$10,535,200	\$10,963,900	\$10,963,900
\$473,035	\$584,878	\$111,843	23.6%	SALES TAX 6%	\$1,034,163	\$1,103,607	\$69,444	6.7%	\$6,500,700	\$6,800,700	\$6,800,700
321,719	396,943	75,224	23.4%	SALES TAX 4%(e)	702,083	749,774	47,692	6.8%	4,410,000	4,612,100	4,612,100
151,315	187,935	36,620	24.2%	SALES TAX 2%	332,080	353,832	21,752	6.6%	2,090,700	2,188,600	2,188,600
92,342	113,281	20,938	22.7%	USE TAX 6%	198,352	211,520	13,169	6.6%	1,282,500	1,328,600	1,328,600
7,654	11,601	3,947	51.6%	CASINO WAGERING TAX	8,059	12,298	4,238	52.6%	na	148,300	148,300
76,245	95,633	19,388	25.4%	TOBACCO TAXES	149,588	200,097	50,510	33.8%	876,800	1,177,800	1,177,800
0	0	0	na	TOBACCO SETTLEMENT	2,733	0	(2,733)	-100.0%	na	na	na
0	1	1	na	CIGARETTE INVENTORY TAX	(2)	(260)	(258)	17073.0%	na	na	na

continued

Revenue Summary 2004-05
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: November 30, 2004

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH NOVEMBER CASH COLLECTIONS DATA					REVENUE PROJECTIONS		
November		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		2003-2004	2004-2005	2004-2005
2003	2004	Amount	Percent		2003-04	2004-05	Amount	Percent	May 2004 Consensus	Statutory Estimate (b)	May 2004 Consensus (b)
Major Transportation Revenues											
\$11,634	\$11,261	(\$372)	-3.2%	Diesel Fuel	\$22,767	\$22,361	(\$406)	-1.8%	\$158,600	\$162,600	\$162,600
81,457	77,676	(3,781)	-4.6%	Gasoline	159,549	156,075	(3,474)	-2.2%	947,000	968,000	968,000
59,382	59,798	415	0.7%	Motor Vehicle Registration	128,406	125,588	(2,817)	-2.2%	916,600	830,800	830,800
5,640	6,134	494	8.8%	Other Taxes, Fees & Misc.	10,790	11,153	363	3.4%	212,517	219,736	219,736
5,810	5,821	11	0.2%	Comprehensive Transportation (d)	11,619	11,641	22	0.2%	68,732	69,846	69,846
\$163,923	\$160,690	(\$3,233)	-2.0%	TOTAL MAJOR TRANS. REVENUES	\$333,131	\$326,818	(\$6,312)	-1.9%	\$2,303,449	\$2,250,982	\$2,250,982
Lottery Sales By Games (c)											
52,837	63,485	10,648	20.2%	Instant Games	102,304	108,053	5,749	5.6%	na	na	na
55,902	69,353	13,452	24.1%	Daily Games	109,471	118,947	9,476	8.7%	na	na	na
18,101	31,093	12,992	71.8%	Lotto and Big Game	33,769	78,057	44,288	131.0%	na	na	na
1,155	1,246	90	7.8%	Keno Game	2,250	2,135	(115)	-5.1%	na	na	na
36	0	(36)	-100.0%	Changeplay Game	88	0	(88)	-100.0%	na	na	na
11,670	32,005	20,335	174.0%	Club Games	12,502	55,035	42,533	340.0%	na	na	na
\$139,701	\$197,182	\$57,481	41.1%	TOTAL LOTTERY SALES	\$247,881	\$307,191	\$59,310	23.9%	na	na	na

a GF-GP Sales has been estimated based on CTF and Health Initiative shares.

b Statutory and Consensus Estimates have been adjusted to include the Tobacco tax increase (PA 164 of 2004) and Casino Tax Increase (PA 306 of 2004).

c The statutory estimate does not include an estimate of lottery sales. It only includes an estimate of the SAF transfer. The transfers shown are actual transfers from Lottery to SAF.

d The CTF distributions have been estimated (includes sales tax transfer and other miscellaneous revenues dedicated to the CTF).

e 2% collections adjusted to reflect exemption on residential utilities.

f Official CAFR figures are adjusted to put them on a comparable basis with Consensus Estimates.

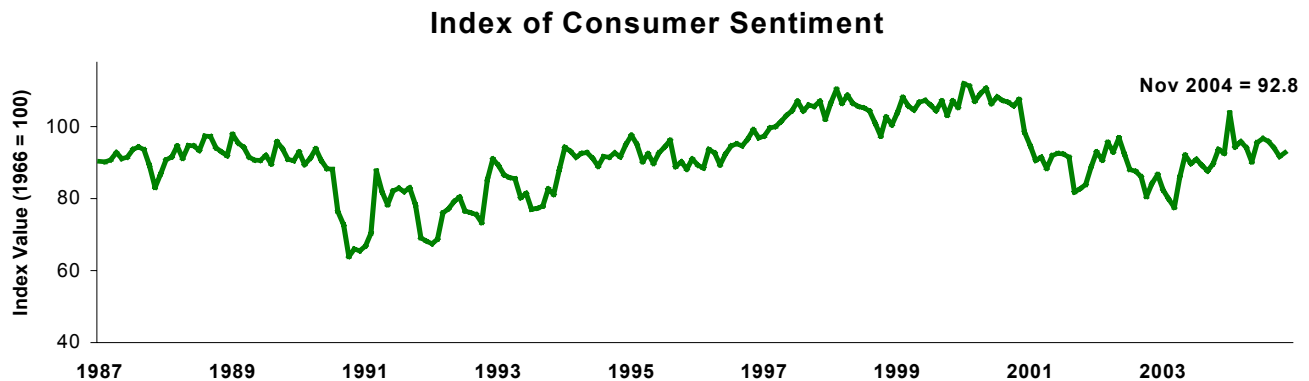
g Non-tax revenue estimates other than interest are estimates. Federal aid total does not include the \$169 million in federal aid from federal stimulus bill in FY 2004.

Source: Michigan Department of Treasury, Economic and Revenue Forecasting Division, based on reports from the Office of Financial Management, Michigan Department of Management and Budget, and other reports from the Michigan Department of Treasury.

Economic Highlights

(All data seasonally adjusted unless otherwise noted.)

U. S. Economy



Source: University of Michigan, Survey Research Center

The **Index of Consumer Sentiment** was 92.8 in November, 1.1 index-points above the October value, but 0.9 index-points below November 2003. Survey director Richard Curtin reported, “Consumers expected the economy to improve during the year ahead by more than a two-to-one margin in the November survey. Importantly, unemployment expectations have remained largely unchanged during the past four months. Despite last month’s announcement of substantial job gains, consumers are not yet convinced that the economy will produce significant employment gains over a sustained period of time.” Curtin observed that, “Rising interest rates had a greater impact on consumers in November. Consumers more frequently expected additional increases in interest rates, and less frequently thought that current mortgage rates were still attractively low in November.” Curtin noted however, “Overall home buying attitudes remained unchanged in November, however, as more consumers mentioned the advantage of borrowing in advance of rising mortgage rates.” In November, consumers in three regions registered an increase in confidence. Northeastern consumers reported the largest increase of 9.5 index-points. Southern and Midwestern consumers recorded the increases in confidence of 3.4 index-points and 1.1 index-points, respectively. Western consumers reported a decrease in confidence of 10.0 index-points. As a result, the gap across regions increased to 12.4 index-points, with Northeastern consumers on top and Western consumers on the bottom.

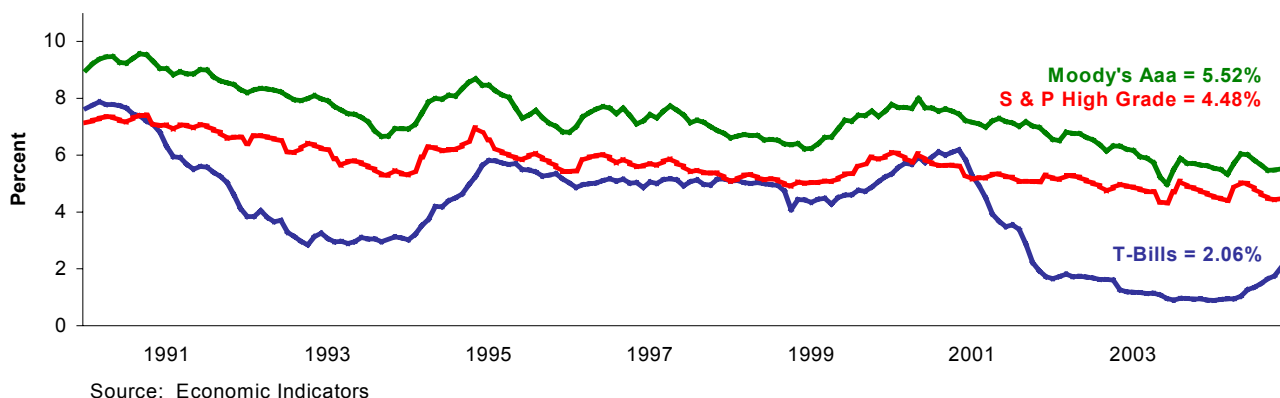
The preliminary estimate of real **Gross Domestic Product** for the third quarter of 2004 is \$10,889.7 billion (chained 2000 dollars), an increase of 3.9 percent at an annual rate. In the second quarter of 2004, real gross domestic product increased 3.3 percent. Personal consumption expenditures, equipment and software, exports, government spending, and residential fixed investment led third quarter growth. Imports, which are a subtraction in the calculation of GDP, also increased. Real personal consumption expenditures increased 5.1 percent in the third quarter compared to an increase of 1.6 percent in the second quarter. Real nonresidential fixed investment increased 12.9 percent in the third quarter led by increased investment in equipment and software of 17.2 percent. Real federal government expenditures increased 4.7 percent in the third quarter compared to a 2.7 percent increase in the second quarter. Real state and local government spending decreased 0.8 percent in the third quarter compared to a 1.9 percent increase the second quarter. Exports of goods and services increased 6.3 percent in the third quarter, compared to a 7.3 percent increase in the second quarter. Imports increased 6.0 percent in the third quarter compared to an increase of 12.6 percent in the

second quarter. Private inventory investment increased \$35.9 billion in the third quarter, down from a \$61.1 billion increase in the second quarter. Real final sales increased at a 4.9 percent rate in the third quarter compared to a 2.5 percent rate in the second quarter. On the inflation front, the **implicit price deflator** measure estimate increased at a 1.3 percent annual rate in the third quarter, compared to an increase of 3.2 percent observed in the second quarter.

U. S. retail prices, as measured by the Consumer Price Index (CPI-U), increased 0.2 percent in November, up from a 0.6 percent increase in October. Energy increased by 0.2 percent in November; compared to a 4.2 percent decrease in October, while the all-items less food and energy component increased 0.2 percent. For the six months since May, the all-items index increased at a 2.6 percent annual rate.

Compared to November 2003, the all-items index increased 3.5 percent. For major component groups, the unadjusted increases from one year ago were: food and beverages, 3.1 percent; housing, 3.1 percent; medical care, 4.4 percent; recreation, 0.8 percent; education and communication, 1.7 percent; and other goods and services, 2.3 percent, with tobacco prices up 2.7 percent; transportation 7.4 percent, with gasoline prices up 30.9 percent; while the unadjusted decreases were: apparel, 0.1 percent.

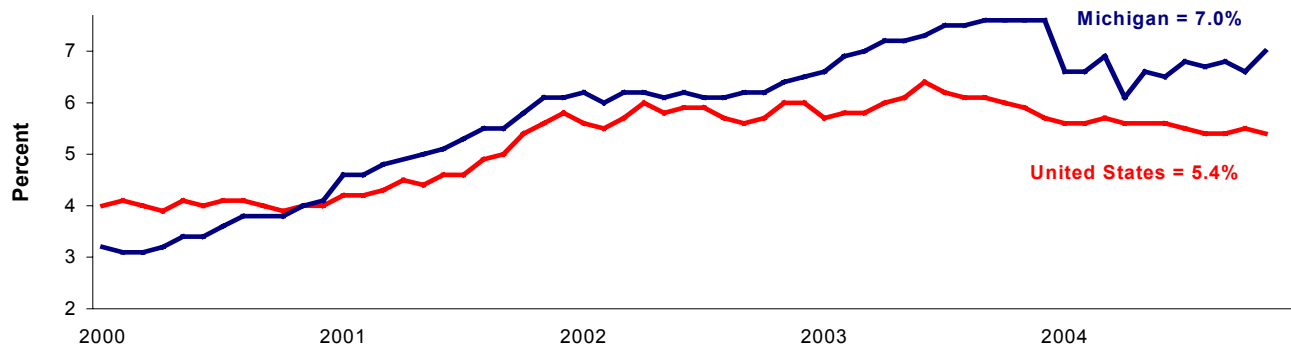
Selected Key Interest Rates



Short-term **interest rates** increased 0.21 percentage points in November as the 3-month Treasury bill (T-bill) rate averaged 2.06 percent. Compared to one year ago, the T-bill rate is up 1.12 percentage points. Long-term interest rates, such as the Aaa corporate bond rate, increased 0.05 percentage points to an interest yield of 5.52 percent in November. Compared to one year ago, the Aaa bond yield is down 0.13 percentage points. The interest rate on High-grade municipal bonds increased 0.05 percentage points to 4.48 percent in November, and stands 0.26 percentage points below its year ago level. The Federal Open Market Committee (FOMC) raised the federal funds rate by 25 basis points at its December 14th meeting to 2.25 percent. The FOMC continues to believe that, “even after this action, the stance of monetary policy remains accommodative and, coupled with robust underlying growth in productivity, is providing ongoing support to economic activity. Output appears to be growing at a moderate pace despite the rise in energy prices, and labor market conditions continue to improve. Inflation and longer-term inflation expectations remain well contained.” The FOMC reported that the upside and downside risks to the attainment of both sustainable growth and price stability for the next few quarters are roughly neutral. The committee believes that, “policy accommodation can be removed at a pace that is likely to be measured.”

In November, the **U. S. unemployment rate** decreased 0.1 percentage points from a month ago to 5.4 percent and was down 0.5 percentage points from one year ago. Civilian employment totaled 140.3 million persons in November, an increase of 483,000 from the October level. The labor force increased 439,000 from last month.

Unemployment Rates 2000 - 2004

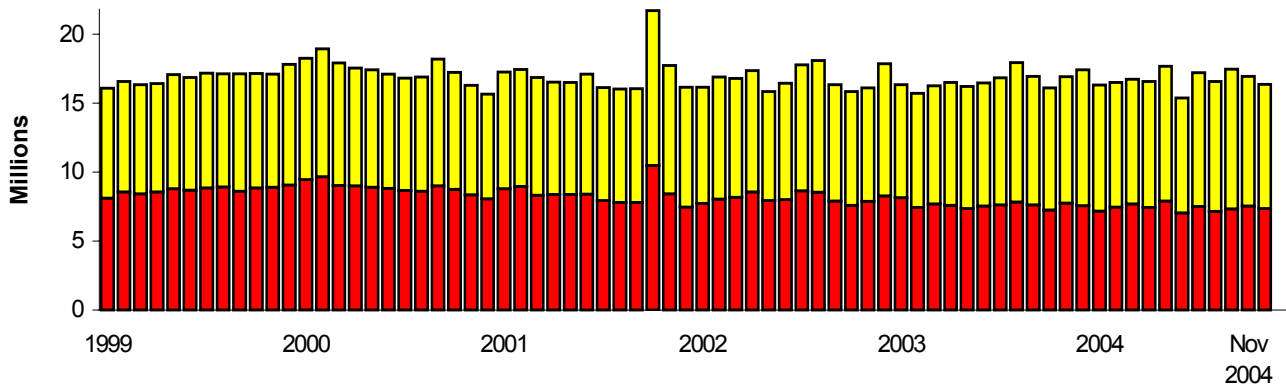


Source: Bureau of Labor Statistics and Michigan Department of Labor & Economic Growth, Employment Service Agency

In November, the **Michigan jobless rate** increased 0.4 percentage points to 7.0 percent, 1.6 percentage points above the national unemployment rate. Compared to a year ago, Michigan's jobless rate was 0.6 percentage points lower. The labor force decreased by 10,000 to 5,076,000, while the number of people employed decreased by 26,000 to 4,722,000. In November, there were 354,000 unemployed people. Monthly unemployment rates fluctuate due to statistical sampling errors. Therefore, the three-month average of 6.8 percent may be more representative of actual conditions.

Motor Vehicle Sector

U. S. Light Vehicle Sales



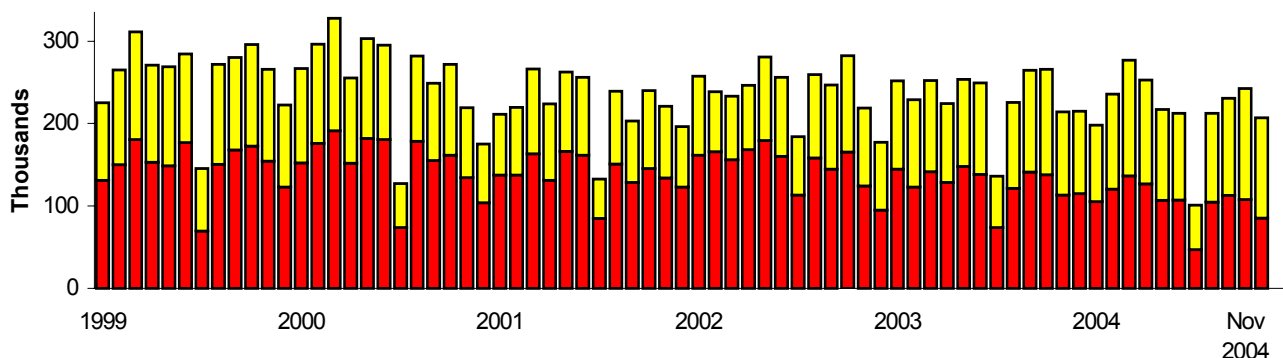
Source: Bureau of Economic Analysis

■ Cars ■ Lt Trucks

U. S. light vehicle sales (cars + light trucks) decreased 0.6 million units in November selling at a 16.3 million unit seasonally adjusted annual rate. Domestic car sales increased 1.0 percent while domestic light truck sales decreased 3.8 percent. Import car sales increased 10.0 percent while import light truck sales decreased 5.7 percent. Compared to last year, light vehicle sales decreased 3.3 percent. Domestic car sales were down 8.9 percent while domestic light truck sales decreased 2.5 percent. Import car sales were up 4.8 percent while import truck sales rose 2.6 percent from last year. As a result, the domestic share decreased 1.4 percentage points from a year ago. For fiscal year 2005, domestic light vehicles have recorded a 78.3 percent share of a 16.6 million-unit market.

Michigan motor vehicle production decreased to 206,840 units in November. From a year ago, motor vehicle production decreased 4 percent in Michigan but rose 3 percent nationally. In November, Michigan's car production was 85,392 units while the state's truck production was 121,448 units. Compared with a year ago, car production fell 25 percent in Michigan and decreased 5 percent nationwide. The state's truck production increased 20 percent while national truck production rose 7 percent from a year ago. Michigan motor vehicle production data are not seasonally adjusted.

Michigan Motor Vehicle Production



Source: Economic and Revenue Forecasting Division

■ Cars ■ Trucks

**Summary Estimates of the Constitutional Revenue Limit
Based on the May 18, 2004 Consensus Revenue Agreement
(Article IX, Section 26)
(in millions)**

	Fiscal Year 2002-2003 Actual	Fiscal Year 2003-2004 Estimate	Fiscal Year 2004-2005 Estimate
Applicable Calendar Year Personal Income	\$297,609	\$303,745	\$306,820
Section 26 Base Ratio	9.49%	9.49%	9.49%
Revenue Limit	\$28,243.1	\$28,825.4	\$29,117.2
Revenue Limit	\$28,243.1	\$28,825.4	\$29,117.2
State Revenue Subject to Limit	\$24,061.6	\$23,962.1	\$24,383.4
Amount Under (Over) Limit	\$4,181.5	\$4,863.3	\$4,733.8

Sources:

Personal Income Estimate

The FY 2002-03 calculation uses the official personal income estimate for calendar year 2001 (Survey of Current Business, October 2002).

The FY 2003-04 calculation uses the official personal income estimate for calendar year 2002 (Survey of Current Business, August 2003).

The FY 2004-05 calculation uses the preliminary personal income estimate for calendar year 2003 (Survey of Current Business, April 2004).

Revenue Subject to the Limit

The FY 2002-03 calculation uses the State of Michigan Statement of Revenue Subject to Constitutional Limitation - Legal Basis for the Fiscal Year Ended September 30, 2003.

The FY 2003-04 calculation uses the May 18, 2004 Consensus Revenue Agreement.

The FY 2004-05 calculation uses the May 18, 2004 Consensus Revenue Agreement.

Prepared By: Economic and Revenue Forecasting Division, Michigan Department of Treasury